

EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON, D.C. 20503

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ATTACHED

January 2, 1970

CIRCULAR NO. A-64

Revised

Transmittal Memorandum No. 1

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Position management and employment ceilings--
Adjustment of employment ceilings in relation
to contractual services

1. Purpose. This Transmittal Memorandum supplements Circular No. A-64, Revised, of June 28, 1965. It establishes new procedures under which agency employment ceilings set in accordance with paragraph 4 of Circular No. A-64 may be adjusted, when necessary and appropriate, in cases where Federal employees are used in lieu of service contracts for the performance of required services.

2. Background. Concern has been expressed that (a) despite the policy in paragraph 4d of Circular No. A-64, stringent administration of employment ceilings has led to cases of unnecessary contracting for services, and (b) such contracts have sometimes been made without the application of adequate analytical techniques, with resulting inefficient and uneconomical use of Federal resources. The procedures outlined herein are intended to deal with this problem.

3. Actions to be taken. To accomplish the purposes of this Transmittal Memorandum, the Bureau of the Budget will establish, effective with the transmittal of the 1971 budget to the Congress, two reserves for the conversion of contract employment. One reserve will be assigned to and administered by the Department of Defense. The Bureau of the Budget will administer the reserve for all other agencies and be responsible for coordinating both reserves.

To the extent that planned contract conversions are anticipated, agency requests for related adjustments to employment ceilings should be made during the annual budget process. In the case of unusual situations, requests for such adjustments may be made at other times in accordance with paragraph 5 of Circular No. A-64.

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a. Department of Defense. The Department of Defense will establish guidelines consistent with this Transmittal Memorandum for the justification of requests for internal allocations of the employment reserve assigned to it. That department will submit to the Bureau of the Budget an annual report (three copies) on the actions taken in operation of its reserve within one month after the end of each fiscal year. The first report is to be submitted by July 31, 1970.

b. Other agencies. All other agencies requesting adjustments of employment ceilings for the purpose of converting contractual work to performance by Federal employees will submit a justification (three copies) to the Bureau of the Budget as outlined below.

(1) History of contractual work to be converted. The agency justification will include data on how the functions in question have been carried out in the past, and the various considerations (including the guidelines in Circular No. A-76) used in determining whether such functions should be contracted out or performed by agency employees. Data should also be provided to show the specific changes in conditions and costs since the prior decision and any savings resulting from converting contractual work to performance by agency employees.

(2) Manpower utilization. The agency justification will be presented in terms of the agency's overall personnel operation, following the position management guidelines in paragraph 3 of Circular No. A-64. It should explain what efforts have been made, or are planned to be made, to redeploy the agency's work force to meet the increased workload requirements caused by the proposed contract conversions through adjustments in existing activities and procedures, and improved manpower control and utilization. The agency must demonstrate that it cannot perform the extra work without an additional personnel allowance.

(3) Internal control. The agency will provide for two internal audit controls: (a) procedures to assure that approved contract conversions are implemented on a timely basis within the adjusted ceilings and that performance is reviewed against anticipated savings; and (b) procedures to assure that the Bureau of the Budget is notified well before any reverse shifts occur (i.e., the use of service contracts instead of direct employment). With respect to the latter, it is essential that the Bureau of the Budget review and

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approve utilization of positions so freed for other needs. The agency should be prepared to make available to the Bureau of the Budget, upon request, the findings resulting from its internal control procedures.

4. Approval by the Bureau of the Budget. The Bureau of the Budget will base approval of agency requests (including the Department of Defense) for adjustment of employment ceilings on the agency's demonstration that performance of the functions by agency employees would be more effective and economical.

ROBERT P. MAYO
Director

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BUREAU OF THE BUDGET
WASHINGTON, D.C. 20503

June 28, 1965

CIRCULAR NO. A-64
(Revised)

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Position management systems and employment ceilings

1. Purpose. This Circular (a) establishes criteria for the operation of an effective position management system, and (b) sets forth information on the concepts and procedures to be followed with regard to employment ceilings, their observance, and related reporting to the Bureau of the Budget. Effective July 31, 1965, this revised Circular replaces Circular No. A-64 dated March 31, 1964, as amended by Transmittal Memorandum No. 1 of January 5, 1965.

2. Policy. Consistent with the policy of reducing Government costs (see Bureau of the Budget Circular No. A-44, Revised, March 29, 1965), the President expects each agency head to pursue vigorously the efforts of his agency to achieve lower employment levels and increased productivity through tighter management, aggressive manpower utilization programs, simplification of procedures, and stripping work to essentials; and to assure strict observance of the employment ceilings.

3. Position management.

a. Each department and agency will develop and maintain a position management system designed to assure that the work is organized and assigned among positions in a manner which will serve mission needs most effectively and economically. As used in this Circular, position management includes the evaluation of the need for positions and required skills and knowledge; and the organization, grouping and assignment of duties and responsibilities among all positions. The position structure should be designed to utilize the most effective work processes, equipment, procedures, methods and techniques.

The position management system should be designed to identify, prevent and eliminate such common faults as unnecessary organizational fragmentation, excessive layering, excessive use of deputies, assistants to, and special assistants, improper design of jobs, outmoded work methods, and improper distribution of manpower resources.

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b. A position management system should be developed which is best adapted to the needs of a particular agency or program. Provision normally should be made in each position management system, however, for the following key elements:

(1) Assignment of responsibility. Responsibility for work organization and position management should be explicitly assigned to line managers at appropriate levels in the organization.

(2) Utilization of total staff resources. In carrying out their responsibilities, line managers should utilize budget, planning, management analysis, personnel, and other special staff in the development and continuing operation of an effective position management system in the organization. It is especially important that the work of the different staff elements be coordinated and mutually supporting.

(3) Position authorization and employment controls. A position authorization and employment control procedure should be established to assure that existing and proposed work organization and staffing arrangements meet the requirements of good position management. Such a procedure must have as its basis adequate records, not only to identify the numbers of employees, but to identify positively the types of employment which are covered by the attached statement of definitions.

The procedure must ensure that (a) employment requirements are kept under continuous review, (b) positions authorized are limited to those that can be financed from available funds, (c) year-end employment does not exceed the approved ceiling, and (d) employment is not permitted to reach a point at any time during the year which would require reduction-in-force or other disruptive or uneconomical actions to get within the approved ceiling by year-end.

The requirements for the authorized position structure should be determined principally through the budget process, but also through the use of such tools as work measurement, work standards, productivity analysis, and manpower and workload reporting. An adequate position authorization and employment control system should provide control over total employment as well as over full-time employment in permanent positions.

(4) Vacancy control. Before any vacancy is filled, a review should be made to determine whether the duties of the position can be eliminated, assigned to other positions, or modified to permit performance at a lower grade.

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(5) Position reclassification. Before any position is reclassified, the organizational work pattern should be thoroughly reviewed to ascertain the necessity for assigning responsibilities as high as the grade being proposed. Approval should be withheld unless the review indicates that such action is clearly consistent with the aims of effective and economical accomplishment of the agency mission.

(6) Approval of organizational changes. Each proposed change of organization or position structure should be reviewed and approved as appropriate from the standpoint of work design, occupational distribution, grade distribution, manpower requirements, and costs.

(7) Interagency sharing of personnel resources. Efforts to achieve effective manpower utilization should include the exploration of possible arrangements with other agencies for the sharing of personnel resources to meet certain nonrecurring needs or to take care of continuing housekeeping or administrative services. This type of arrangement could be advantageous for small offices, in Washington or in the field, but may be also applicable to specialized work in larger offices, particularly where other agencies are better equipped to perform such services more effectively and economically.

(8) Reporting. The position management system should provide complete, accurate, reliable, and timely information on numbers of employees to meet central reporting requirements of the Civil Service Commission and the Bureau of the Budget as well as periodic reports for the use of the agency in reviewing the effectiveness of the system. The reports should provide essential data for effective analysis by the agency head and upon request by the Bureau of the Budget, the Civil Service Commission, and the Congress. While the frequency of central reporting will vary from agency to agency, the system should make it possible to provide management, either periodically or upon request, with the following information:

(a) The number of positions authorized under the position management system, by employment category and grade. (See Attachment A for definitions of employment categories.)

(b) The number of occupied positions, by employment category and grade.

(c) Any new arrangements entered into for the provision of services by contract.

(d) An analysis and explanation of any significant changes in the position structure, together with an analysis of any longer-term trends indicated.

(9) Special reviews. When budget reviews, internal management appraisals, quarterly reports, or other available data indicate that an organization may not be achieving effective position management, action should be initiated to identify the reasons and bring about changes in personnel, organization structure, management practices, or work processes to achieve improvement.

c. Assessments of the effectiveness of its position management system should be made by the department or agency itself, and will be made by the Bureau of the Budget as part of its continuing surveillance of agency programs, by the Civil Service Commission in its inspection of position classification, and as a part of the joint reviews of management and manpower utilization conducted by the Bureau of the Budget, the Civil Service Commission, and the agencies under review.

4. System and nature of employment ceilings.

a. Maximum allowable employment figures ("employment ceilings") are determined by the President at the time of the annual budget review, both for the end of the fiscal year then in progress and for the end of the succeeding fiscal year.

b. Each year the employment ceilings applicable to the year in progress are intended to be absolute limits as of the end of the fiscal year, consistent with the employment reportable to the Civil Service Commission on the Standard Form 113 series, and in accordance with this Circular.

c. Generally, employment ceilings reflect budget proposals and assumptions with regard to workload, efficiency, proposed new legislation, interagency reimbursable arrangements, and other special financing methods. Employment included for proposed legislation, or for carrying out proposed supplemental appropriations, must be reserved until the additional funds become available by congressional action. Employment under estimated reimbursable arrangements must also be reserved until such arrangements have been negotiated.

d. Any decision to substitute the use of service contracts for direct employment, or to change the proportionate use of full-time (permanent or temporary), part-time, or intermittent employment must be based on considerations of effectiveness and economy in administering Federal programs, and must not be used as a device to avoid compliance with the ceilings.

5. Adjustments to employment ceilings. Under normal circumstances it would be expected that requests for revisions in employment ceilings for the current year in progress would be considered by the Bureau of the Budget during the examination of agency budget submissions for the following year. In the case of unusual or emergency situations, requests for revisions may be submitted at other times.

Revisions to employment ceilings will be considered only when congressional action on the budget request, or on supplemental requests or budget amendments transmitted after the budget, or any development subsequent to the establishment of the ceilings clearly requires a material change in the number of positions.

In the agency's request for an adjustment, it is not sufficient merely to justify the need for additional employment in a particular bureau or unit. The justification should indicate clearly why the increase cannot be absorbed through an internal adjustment in the agency's ceiling distribution, or why the need cannot be postponed to the next fiscal year.

All requests for adjustments in ceilings will be brought to the President's attention through the Bureau of the Budget.

6. Report of violations. It is the responsibility of each agency head to insure that the end-of-year employment is kept within the approved ceilings. In exceptional situations where the end-of-year employment exceeds an approved ceiling, the agency head will be responsible for the preparation of a report containing:

a. An explanation of the factors which caused employment to exceed the ceiling;

b. A statement describing the specific weaknesses in the agency's employment control system which permitted the violation to occur and the action taken to prevent recurrence of such violations; and

c. A schedule showing by bureau, the agency's distribution of the established ceiling and the corresponding numbers of employees at the end of the year.

An original and two copies of the report described above will be submitted to the Bureau of the Budget no later than the 20th of the month following the end of the fiscal year.

CHARLES L. SCHULTZE
Director

Attachment

DEFINITIONS OF EMPLOYMENT CATEGORIES

Note that the three types of employment are the equivalent of those set forth in the Federal Personnel Manual, Chapter 292. The employment categories used in the Civil Service Commission Monthly Report of Federal Civilian Employment (Standard Form 113-A) are consistent with these definitions.

1. A full-time employee is one who is regularly scheduled to work the number of hours and days required by the administrative workweek for his employment group or class. (Most full-time employees have an administrative workweek of 5 days of 8 hours each). Such employees may occupy either of two types of positions.

- a. A permanent position -- one which has been established without time limit, or for a limited period of a year or more, or which, in any event, has been occupied for a year or more (regardless of the intent when it was established).
- b. A temporary position -- one which has been established for a limited period of less than a year and which has not been occupied for more than a year.

2. A part-time employee is one who is regularly employed on a prescheduled tour of duty which is less than the specified hours or days of work for full-time employees in the same group or class.

3. An intermittent employee is one who is employed on an irregular or occasional basis, with hours or days of work not on a prearranged schedule, and with compensation only for the time actually employed or for services actually rendered.